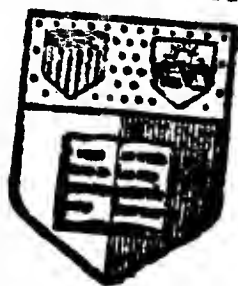


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MESSAGE
OF
THE GOVERNOR-GENERAL
TO THE
THIRD PHILIPPINE LEGISLATURE.

MANILA, *October 16, 1912.*

GENTLEMEN: In the absence of His Excellency the Governor-General, it becomes my duty to send to you a message at the opening of the Third Philippine Legislature. Mr. Forbes is still detained at home by reason of impaired health occasioned by his arduous and unselfish service to the people and Government of these Islands. I voice with you the earnest hope that his health may be fully restored and that he may soon be able to resume the duties of the office which he has so ably filled for several years.

I congratulate you, and through you the Filipino people, upon the favorable auspices under which this Legislature begins its work. Tranquility prevails throughout the Archipelago; progress in every line of endeavor has been marked throughout the year. We are beginning to see the beneficent results of the Government here instituted; results not attained by Americans alone or Filipinos alone, but by the joint efforts of Americans and Filipinos, who have shown themselves interested alike in the progress and development of the people. It is but just to pay tribute to the able Filipinos, who, since the inauguration of the present Government, have devoted the very best that was in them toward the accomplishment of all things which make

for progress. Not in Manila alone, but throughout the Archipelago, may be found earnest and able men devoted to the cause of the people and fired with the highest ambitions for the material, mental and moral uplift of those about them. No wonder, then, that with limited revenues and conditions untoward in many respects the results of their labors and ambitions are marked to-day by a condition of well-being and opportunity heretofore unknown in the Philippine Islands.

May I express the wish that the proceedings of this session of the Legislature will be characterized by a feeling of confidence upon the part of each House toward the other? The two Houses, which compose the Philippine Legislature, are coequal in power and in responsibility. Credit for the enactment of wise laws belongs to both, and the reproach for the enactment of ill-considered measures or the failure to act at all upon important matters must be borne alike by both. It goes without saying that men in both bodies are actuated by high motives; that they desire nothing so much as the welfare of the people whom they represent. Some persons in the past have imagined that the two Houses were inspired by contrary purposes and have seemed to think that there must of necessity be antagonism between them. May you not enter upon the important duties of this session not only with a high idea of the dignity and character of the House in which you may be members, but also with the same appreciation of the dignity and character of the other body? If this may be true, legislation may be enacted solely upon its merits. When a measure passing one House is sent to the other, the responsibility is shifted and there should be no disposition to require a *quid pro quo*. Good men differ in their opinions, but good men do not differ in their desire to do the right. Let each concede to the other the latter quality; then the differences of opinion as to means and methods will cause no heartburnings and create no dissension.

The utterances of every President of the United States since American occupation have defined the present Govern-

ment of the Philippine Islands as temporary: to exist only until such time as the Congress of the United States might determine that the Filipino people are prepared to establish a stable government. Although only eleven years have elapsed since the inauguration of civil government—and eleven years is indeed a short time in the life of a people—yet it may be well to recount some of the steps that have been taken and something of the progress made toward the redemption of these promises and the culmination of the desires of a large part of the Filipinos.

The American people have regarded certain things as prerequisite to the fulfillment of these promises; universal education, general prosperity, ease of intercommunication, and a molding of all the elements into a homogeneous whole. What have we already accomplished in these directions?

First, a considerable increase in the development of the natural resources. Nature has been lavish in her gifts to these Islands. Modern methods, sufficient capital, and ample labor should make the Philippines as productive as Java, which, with a much smaller area, supports thirty millions of people. Already the exports and imports, which are a considerable index to the prosperity of a country, have increased more than 90 per cent. Wages have risen until they are double or quadruple the wages known before. Receipts in the custom-houses have grown constantly year by year, and, while this is only the beginning, it has fired a considerable number of the people with the ambition to make the Philippines the garden and granary of the East.

Second, a university has been established as the culmination of the educational system. It has been established upon a broad and liberal foundation. It is manned by capable professors and instructors and young men and women are being equipped to occupy the highest places in the social, industrial, and governmental life of the Philippines. This university has been liberally supported by the Legislature; but further appropriations must be made in order to place it fully abreast of the universities of other countries. The need now is particularly for buildings and equipment. I rec-

commend that this Legislature provide for the construction of at least one other university building, to take its place in the central university group.

Third, a general educational system was inaugurated in the beginning. More than half a million children are attending school as these lines are written. For several years the average has been nearly as great, so that we can say that between three and four million students have had greater or less advantages in the public schools of the Philippine Islands. Many private schools are also serving the people. Each year adds to the number of those of mature age who have received some school training. In these modern days every civilized country is developing in democracy. Whatever form this Government may assume, it must be based upon the democratic idea of a government by the people. It is not enough that a few people shall be educated in high school or university, but all should have sufficient general education to enable them to take an intelligent place in the electorate.

Fourth, means of intercommunication have been improved. In a country such as this, composed of many islands and these islands frequently divided by mountain ranges and almost impassable rivers, intercommunication has not been easy. Especially has this been retarded in the days that are past, because of the fact that there was no common language among the people, and so even if people of one section could reach the people of another they had small means of interchange of ideas. Railroads have been built, steamship lines developed, ports constructed, lighthouses erected, and, above all, the children in the public schools in remotest parts of the Archipelago have been taught the same language.

No superiority is claimed for the English language over others which possess literature and a history, except, perhaps, that it is so fast becoming the business language of the world, especially in the Far East, that countries leading in commercial and scientific endeavor have almost universally made its study a part of their public-school system. It is the only language which it was possible to teach generally

throughout the Archipelago. Unfortunately, the policy of the previous sovereignty here did not permit the general teaching of the Spanish language, and so it was known by comparatively few. Inasmuch as the ability to use a common language is one of the essentials to the realization of the political aspirations of the Filipino people, it is important to see how far we have progressed in this direction.

At least three million children have had instruction in this tongue. Some of them have already reached manhood and womanhood, and are qualifying as voters because of their knowledge of this language. As the years go by the number of voters will be largely augmented, almost entirely from those who have acquired the English language in the public and the private schools. For many years English has been the official language in all branches of the Government except the courts. This, however, does not mean that the business of the Government has not been very largely conducted in Spanish and in the various dialects. I desire to report to the Legislature that recently I issued an executive order requiring the use of English so far as possible in the conduct of administrative business in provinces and municipalities. The purpose of this order was not to require its use by persons who did not understand it, but rather to encourage its use by all who did; and provision was made that public officials affected by the order might, upon request to the Executive Secretary, be granted permission to defer its use. Various requests to this effect have come to the Executive Secretary and have been in every case granted; while, on the other hand, various indorsements of the order have been received from Filipino organizations of one kind or another throughout the Archipelago, and the change suggested in such order has already been made by provincial and municipal governments to a gratifying extent. Our aim, of course, is not to impose a burden upon any, but rather to encourage the use of English in order to further the aspirations of Filipinos.

Until this time Spanish has been the official language of the courts of the Philippines, although under the law English replaces it in January next. Spanish has not been

used universally; in fact, scores of languages are used in the courts. I myself had the experience, while sitting on the bench, of having six languages used in the trial of one case. I think this is not unusual. It is not possible, of course, to use English or Spanish or any other language exclusively in the courts. Many lawyers of the Philippines are not able to use English. Large numbers of justices of the peace and a few judges of the courts cannot speak English. Younger men who are being appointed to these positions now, as a rule, can do so. The Filipino has a genius for languages and readily acquires a new one when he chooses. I believe, however, that the Legislature should make provision for the use of Spanish in conjunction with English in the courts, in order that by no possibility will hardship or injustice be done any citizen. In harmony with this recommendation, permit me to call your attention to the fact that on February 1, 1912, the Philippine Commission adopted the report of a committee and passed a bill which provided for the modification of the present law so that it should read as follows:

"* * * The official language of all courts and their records shall be the Spanish language until the first day of January, nineteen hundred and thirteen. After that date English shall be the official language. But the Supreme Court or any Court of First Instance or Justice of the Peace Court may in its discretion order the record to be made in the Spanish language: *Provided*, That any party or his counsel may examine or cross-examine witnesses or make an oral argument in Spanish, which shall then and there be clearly interpreted into English by a court interpreter whenever the judge shall so require; and the party or his counsel may submit the application, pleading or brief in Spanish: *And provided further*, That in cases in which all the parties or counsel so stipulate in writing, the proceedings shall be conducted in Spanish."

At a meeting, a day or two afterwards, of the conference committee between the two Houses an agreement was reached which gave the widest opportunity possible for any court or lawyer or litigant in any case in any of the courts in the Philippines upon request to have the proceedings conducted in the Spanish language.

In recommending to you that this should be made the law, I do so with a great deal of confidence, as there has been much discussion of the matter among the people and in the

public press. Articles have been published by various men, repeating many of the arguments which have appealed to the Legislature, showing the necessity of a flexible rule, and indorsing the principle formally adopted by the Commission in February last, and fully in accord with the recommendation which I am now making. So far as I have been able to judge public sentiment, these articles have gauged it correctly, and are in harmony with and in fact might be regarded as briefs for the action of the Commission and the conference committee of the two Houses early last February.

I therefore recommend as earnestly as I may, not that the law be repealed which makes English the language of the courts and thereby postpone the achievement of Philippine desires for more complete nationalization (if I did this I should regard my action as contrary to the desires of the majority of Filipinos and should proclaim myself as an enemy of Philippine autonomy), but that the law be amended so that all safeguards may be provided so as to permit the judge or lawyer or litigant to elect whether in the particular case that is to be tried the proceedings or any part thereof shall be conducted in Spanish. If this recommendation be adopted, the steps already taken toward acquiring a common tongue will not be useless; young men educated in the public and private schools of the Islands will not be disheartened; those who by reason of age or disinclination have not acquired the new tongue will not be discriminated against; justice will be served in every particular, and the gradual adjustment of the language used in the courts will take place of its own force as fast and as fast *only* as the people who have business to transact in the courts are ready to adopt it.

LAW AND ORDER.

A gratifying evidence of the development of a feeling of responsibility was given last July when the municipal police assisted by the citizens of Sariaya, Tayabas, repulsed the assault of a band of seventeen armed men upon the town. Too often in the past these armed bands have met no resistance, the people taking their raids as a matter of course; and the fact that the inhabitants of this town were

willing to defend their property at the risk of their lives shows that a spirit of stern protection of one's property and individual rights is being developed throughout the Islands.

For its spread and for the protection of their property I earnestly recommend to your consideration legislation which will put permanently in confinement the large number of persons who support themselves by preying upon their fellows. The last report of the Director of Prisons shows that during the past year 129 prisoners had been convicted twice, 20 a third time, and so on until there was found one prisoner who was serving sentence for a twenty-second conviction; and there has been brought to my attention the case of a prisoner who had been convicted thirty-two times in our courts of various crimes. These recidivists are no sooner released from confinement than they again enter upon their occupation of thievery and disorderliness. They prey principally upon the lower classes who are least able to defend themselves, and their arrest and conviction from time to time is at considerable cost to the public treasury. This matter has been presented to the Legislature before and there is in the legislative files the draft of an habitual criminal act which it is believed will rid society of these highly undesirable members. I recommend to your careful study this question, which is of great importance to the peace and order of the country.

ELECTIONS.

The general elections in June of this year were held without any disorder. However, while detailed reports have not yet been received, it appears probable that there was a considerable increase in the number of infractions of the Election Law, and it also appears that a larger number of protests than heretofore were filed against the persons receiving a plurality of the votes for both provincial and municipal officers. It is with regret that these tendencies are noted, as among the first essentials to an orderly administration of government are honest elections and an acquiescence by the people in the result thereof.

HEALTH.

Statistics covering the past year show that health conditions are better than they have been since the inauguration of the Government. This is particularly gratifying in view of the fact that neighboring countries have been so generally suffering from epidemics of plague and cholera. While plague has been introduced into the Islands, there have been only a very limited number of cases and the extensive examination of rats caught in Manila and other cities leads to the conclusion that there is no present danger of a serious outbreak of this disease. As an evidence of the improvement of health conditions it may be mentioned that since the new water supply for the city of Manila was opened there has been a decrease of some 60 per cent in the cases of dysentery. The new Southern Islands Hospital at Cebu was completed and ready for occupancy months ago; but it can not be opened until an appropriation has been made for its maintenance. Because of the failure to pass an appropriation bill at the last session of the Legislature, no money was available for this purpose, and I recommend to you the early consideration of the matter in order that the greatly needed work of caring for the sick in this institution may be begun.

INFANT MORTALITY.

At the last regular session the Legislature passed Act No. 2116, creating a committee to investigate the causes of excessive infant mortality in the Philippine Islands and to recommend for adoption measures to decrease it.

In view of the importance of this problem to the future of the Islands great care was taken in the choice of members and some difficulty was experienced in finding individuals who combined the necessary qualities with the ability to meet the requirements of the Act and who were willing to serve. The naming of this committee was, therefore, delayed somewhat, and it is believed that they have not had sufficient time for as thorough a study of this question as its importance deserves, and to be able to make their report to the

Legislature as provided in section 3. No doubt they will be able to present a preliminary report at the present session of the Legislature, but it is believed that it would be wise to amend the provisions of the Act allowing them more time in which to study this question and to formulate the measures which they may deem necessary to meet the situation. It is believed that a further appropriation will not be necessary.

EDUCATION.

The most noteworthy event in connection with the public-school system during the past year was the opening of the School of Household Industries, created by Act No. 2110. Some 140 women are now in attendance at this institution and they, representing its first class, will be ready to return to their homes during the coming December, thoroughly trained in making lace and embroidery. It will be necessary for the Government to keep in close touch with these women so that a ready market for their product may be furnished them and the product itself kept up to the standard. After a time the industry can no doubt take care of itself, but for the present it will require encouragement from the Government. This is the proper function of the Sales Agency, and that organization is now endeavoring to devise a method which will satisfactorily provide for the work.

For several years the Legislature has been considering the reestablishment of the nautical school. There is a considerable need for competent navigators trained in Philippine waters, and I can report that definite plans have been prepared for a course in seamanship to be given in the Philippine School of Arts and Trades, and the practical training on interisland steamships of the young men taking this course. It is gratifying to be able to announce the satisfactory conclusion of this vexed question.

Owing to the large number of children who are each year completing the primary grades, there is a continual demand for intermediate and secondary instruction. This demand can be met only by increasing the appropriation for the Bureau of Education. During the past year the salaries of Filipino school teachers were increased, and inasmuch as there

was no augmentation of the revenues, these increases in the case of municipal school teachers necessitated a reduction in their number and consequently the closing of some schools. Those that have been closed were unsatisfactory, and this action strengthened rather than weakened the work of our public schools. The very foundation of our educational system is primary instruction, and I believe that no primary school which is doing work at all satisfactory should for any reason be abandoned. Secondary instruction costs more than primary, because the teachers command higher salaries and the equipment is more expensive, so that the same amount of money will provide for fewer children in intermediate than it will in primary schools. Many municipalities have shown a desire to continue schools, which could not otherwise be supported, by voluntary contributions on the part of their citizens. I do not think public schools should be so maintained. They are open to all children and should be supported equally by the citizenship. This and kindred questions can be met by removing the present restrictions upon municipalities in levying taxes, and I recommend this subject to your consideration.

AGRICULTURE.

The campaign against rinderpest has been prosecuted with unceasing vigor and its results are everywhere apparent. This disease is no longer a factor in the industrial economy of the Islands. It still exists, and in widely separated territory, but there are comparatively few cases and their number is constantly decreasing. From time to time outbreaks occur, but so far there has been no difficulty in controlling them, and I confidently expect that an end to the scourge of this disease, which has wrought such destruction to the prosperity of the Philippines, is in sight. The time has not yet come when we can in any way relax our efforts in combatting the disease or reduce the present force engaged in the work; but if next year's progress is as satisfactory as that of the present year, a reduction should then be possible.

The chief danger now is the possibility of reintroducing rinderpest from abroad. For many years the Government

made little progress in its efforts to stamp out the disease, because cattle, coming almost without restriction to the Philippines from the China coast, constantly brought disease into the Islands and no sooner was one epidemic under control than another was reported. It was only when a proper quarantine of animals from ports harboring disease was put into effect that any real progress in the way of ending rinderpest was made; and the most stringent quarantine regulations must be kept in force and scrupulously observed to prevent the landing of infected cattle. Those under which we are operating at present are that cattle from territory exposed to rinderpest must undergo quarantine in the bay for a sufficient length of time to enable the veterinarians to determine beyond any reasonable doubt that the shipment in question is not infected, although we might well follow the lead of the United States and other countries in absolutely prohibiting the importation of cattle from diseased ports.

Too much praise cannot be given the provincial governors and other officials for their earnest coöperation in the work against rinderpest. Quarantines are restrictive and undoubtedly work hardship on the people. However, almost without exception, they have shown a disposition to co-operate when the necessity for the quarantine was fully explained to them.

In its work other than combatting animal diseases, the Bureau of Agriculture has just completed the most satisfactory year of its existence. Our efforts now are not so much to conduct scientific experiments as to bring to the knowledge of the people the facts and information which have been collected. This bureau will find its highest usefulness only when it is so thoroughly in touch with the people that it will encourage the farmer to raise two crops of rice a year rather than one, if two are possible; to double the output of his orange farm by grafting new and better varieties on his trees; to sell his hemp for much more by using better methods of stripping; to increase the value of his copra by proper curing; and so on indefinitely. To do this work, which is of fundamental importance to the pros-

perity of the Islands, demonstration stations are being established throughout the Archipelago as rapidly as money and men are available. I believe that this work should be continued and extended so that we will have at least one demonstration station in each province, the employees of which will be in the closest relations with the agricultural life of the community. To this end there is requested this year a considerable increase in the appropriation for the Bureau of Agriculture and I earnestly recommend it to your study and consideration.

RICE SHORTAGE.

By the passage of Act No. 2076 the Government was last year authorized to import and sell enough rice to prevent the rice famine which threatened the Philippines, with the consequent exorbitant prices for this necessary food staple. Under this authority there were purchased 11,402,417 kilos, or approximately 11,400 tons of rice, at an aggregate cost of ₱1,715,552. This rice was distributed throughout the Archipelago and served to reduce the price of this staple from ₱9 to ₱6. The monetary loss to the Government from these operations was, exclusive of customs dues, ₱276,411, or with these dues added, ₱459,470.

These steps proved so beneficial that, at its last session, the Legislature passed Act No. 2155 authorizing the Chief Executive to take such future action as might be necessary to prevent the price of rice from rising above a reasonable rate. The exceptional drought caused a partial failure not only of our rice crop, but of that of the countries which ordinarily supply the Philippines with this commodity, and last March it was evident that unless the Government purchased rice from abroad the people of the Philippines would, during the latter half of the year, be unable to obtain their daily food. Accordingly, instructions were issued by the Chief Executive for the purchase of rice and so far there have been bought about 10,444 tons, of which approximately 3,162 tons have been shipped to various provincial points where a noticeable shortage existed. The balance is held at Manila and Cebu available for shipment as circumstances may re-

quire. The prices charged by the Government for rice this year have been in advance of those charged last year because the scarcity which I have mentioned caused a general advance in prices throughout the East.

These operations will undoubtedly be attended with some loss to the Government, but until our stocks have been disposed of it is not possible to say what this loss will be. It will, however, be negligible in comparison with what it would have cost the Islands in money and suffering had the people been unable to obtain their necessary food at a reasonable price.

One satisfactory circumstance in connection with the rice shortage is the widespread use of corn as a substitute food. Not only appointive but high elective Government officials did noteworthy work in encouraging the people to eat maize where rice was not available.

ECONOMIC CONDITIONS.

During the past twelve years there have been imported into the Philippine Islands more than 2,485,000 tons of rice, for which there were sent, largely in coin, to foreign countries a little less than ₱165,000,000. This, of course, is an exhausting drain on the resources of the Islands, and it is not now, nor can it for years be, offset by manufactures. To raise what we consume it will be necessary to increase our crops of grain in ordinary years between two and three hundred thousand tons.

There are in many parts of the Islands large tracts of the most fertile land suitable for the growing of rice or maize, which belong to the Government and which, up to this time, have never been cultivated. It seems to me that the Government might well engage in the development and cultivation of some of these areas. There are today many thousands of families engaged, as were their forefathers before them, in a hopeless struggle on small parcels of exhausted soil where they barely eke out an existence, contributing nothing to the wealth of the Islands. If they could be transferred from their present environment to these large, fertile tracts, their present negative influence upon Philippine

progress would be changed and they would soon be contributors in their full share to the development of their country.

I desire to recommend to the thoughtful consideration of the Legislature a plan which attempts the development of some of these areas upon as large a scale as may seem wise, for the twofold purpose of increasing the food supply of the Islands and of encouraging immigration of people from the more populous and sterile districts into those parts of the Archipelago where nature has been most bounteous in her gifts. Such tracts of land may be found in various parts of the Archipelago, some of the best of them being in the Island of Mindanao; and I would like to suggest what seems to be sometimes forgotten, that the Philippine Archipelago consists not of Luzon and the Visayas alone, but of Luzon, the Visayas, and the Moro Province. Tracts may be found within the Moro Province which are easily accessible, below the belt of severe storms, requiring no irrigation, where two crops of rice may be raised each year, and where, if such a station were established, the influence of the more northern Filipinos would soon become a dominant factor. Let it not be said that the Philippines are dependent upon the outside world for food. Let this great drain upon the resources of the Philippines cease, and relieve the congestion and the consequent poverty which prevails in certain parts of the Archipelago. There is yet remaining ₱116,000 in the so-called congressional relief fund, which could well be used for this purpose if the Legislature shall determine that such a policy should be adopted. A considerable additional amount should be appropriated in order to give the proposal a real opportunity for success and to make the project of sufficient magnitude so that its beneficial results may be really felt.

I feel that this is a matter of great importance, the purpose being twofold: that of encouraging interisland migration and of providing a larger supply of food for the people. I request your earnest and thoughtful consideration of the matter.

RAILROADS.

Railroad construction has continued to progress steadily during the year in the Island of Luzon and the effect in stimulating industry and fostering production, especially in the copra-producing provinces, has been marked.

The Manila Railroad during the year has opened its lines to the following points: Candelaria, on the Manila Line South; San Jose to Batangas and Batangas to Bauan, on the Batangas Line; Pagsanjan, on the Calamba-Santa Cruz Line; Rosales, on the Paniqui-Tayug Line; Naic, on the Naic Line; and South Aringay, on the Dagupan-San Fernando, La Union Line.

ABANDONMENT OF RAILWAY CONSTRUCTION ON THE ISLANDS OF NEGROS AND PANAY.

After a thorough study of conditions in Negros, our officials and engineers are conclusively of the opinion that at the present it would be highly inadvisable to permit the Philippine Railway Company to construct the railway proposed for that Island. It appears that the cost of construction would be approximately ₱8,500,000, with an annual interest charge of ₱340,000 which the company would probably not be able to meet and which the Government would consequently be called upon to pay. Similar conditions attach to that portion of the concession which provides for a railway from Dao to Batan Bay on the Island of Panay. The Philippine Railway Company is also of opinion that these two lines could not be made to pay for a long time to come and is ready to waive its concessions for them. Drafts of proposed laws to accomplish this purpose were submitted by the Committee on Railroads to the Assembly at its last session and will be found in its files as Assembly Bills Nos. 942 and 1057. I recommend them to your careful consideration, in order that we may not be called upon to meet this probable expenditure for which we would receive no compensating return.

EVIDENCES OF COMMERCIAL AND FINANCIAL ACTIVITY.

The following figures are interesting as showing the increase in trade with the United States since the passage

of the Payne Tariff Bill, 1909, the increase in trade with other countries, and the increase in both business and trade during the same period:

Fiscal year.	Trade with foreign countries.	Trade with the United States.	Total trade.
1909	P87, 772, 324	P29, 905, 556	P117, 677, 880
1910	94, 387, 348	59, 183, 832	153, 571, 180
1911	105, 959, 292	73, 265, 410	179, 224, 702
1912	124, 959, 188	84, 780, 444	209, 739, 632

Business of the Philippine Islands upon which is levied a tax of one-third of 1 per cent:

Fiscal year.	Amount of business.
1909	P380,408,894
1910	457,610,200
1911	533,650,738
1912	574,168,706

These figures show a total increase in the three years of ₱189,501,874 in trade and ₱424,202,962 in business in the Philippine Islands. When the Payne Tariff Bill went into effect it was believed that there would be a marked decline in the customs receipts owing to the free American market which would tend to cut into the foreign markets, from which alone goods are received on which customs duties are paid. The contrary has proved to be the case. Customs receipts have advanced steadily the past three years, amounting to ₱16,572,147 in 1910, ₱17,357,620 in 1911, and ₱18,695,295 in 1912. Not only do the merchants import more and more from the free markets of the United States every year but with increasing prosperity the purchasing power of the people has become so much greater that they can afford to increase their purchases of foreign dutiable goods.

REVENUES.

The customs receipts, which the Insular Collector of Customs at the beginning of the last fiscal year estimated would suffer a decrease of approximately a million pesos, in fact showed an increase of ₱1,271,452 over the previous year. The estimate of the Collector of Internal Rev-

enue of an increase of about ₦600,000 over the receipts of the previous year proved very conservative, ₦1,189,669 being in fact the final figure for the increase in his collections. The total actual revenue for the fiscal year was ₦27,275,668.61 instead of the estimated ₦25,072,300.

Up to date, in the present fiscal year the revenues from both customs and internal revenue have shown a regular increase, the figures for the first quarter showing an increase in customs receipts of ₦1,200,284 over that of last year and the internal revenue showing an increase of ₦352,790 over the corresponding period of the previous year.

ALLOTMENT.

In view of the failure of the Legislature at its last session to pass an appropriation bill for the current expenses of the Government for the present fiscal year, it became my duty as Chief Executive to make an allotment for this purpose under the provisions of law contained in section 7 of the Act of Congress of July 1, 1902. On July 24, 1912, therefore, I signed a letter of advice to the Insular Treasurer allotting certain sums for the current expenses of the Government for the fiscal year 1913. This allotment was made on the same general lines as the previous one of Governor-General Forbes, but differs in the amounts allotted to the different bureaus and in some minor details which it was necessary to change to conform to the present needs. It will be noticed that the sums allotted for the Judiciary and for the Bureaus of Customs and Internal Revenue are less than those provided in the previous year. This does not mean that these branches of the Government will be able to carry on their functions at a less cost than last year. The differences were made up by restorations to these bureaus from reversions in previous years, under the provisions of Act No. 1989. It will be noted also that the Bureau of Posts allotment is less than that for last year, it being the intention of the 'Director of Posts to put into force a new system of charges for the use of the telegraph which will bring larger receipts to the Bureau of Posts but which will cost the other Bureaus correspondingly

more. The allotment for the Bureau of Posts is therefore made less and the allotments for the different bureaus which would otherwise have suffered under the proposed system are correspondingly increased.

I regret the necessity of having been compelled to act under this law, for I thoroughly believe that the Legislature should always fulfill this duty; but on its failure to pass the necessary legislation I was required to make available the funds needed to carry on the Government. I heartily recommend that the Legislature immediately make an appropriation for the current expenses of the Government for the last half of the present fiscal year, beginning January 1, 1913. In case the Legislature passes such a bill the necessary administrative steps for cancelling the allotments for the second half of this year will be taken by the Chief Executive.

FINANCES.

The following is taken from the report of the Governor-General to the Commission and shows the financial workings of the Government for the fiscal year 1912:

The year was begun with ₦447,332.37 cash available for appropriation and ₦593,500 which, although appropriated from funds of the previous fiscal year for permanent improvements, was appropriated subject to release by the Governor-General. Therefore, the latter sum which had not been released was considered as actual cash available in the treasury and a portion of the reserve, making in all the sum of ₦1,040,832.37 cash reserve.

The estimated resources for the year were ₦26,326,989.31 and the estimated liabilities were ₦25,406,949.55. Of these liabilities ₦19,468,449.11 were for current expenses and ₦2,542,452 for permanent improvements. In all the grand sum of ₦6,501,192.42 was appropriated by the Legislature for permanent improvements from the funds available for the fiscal year 1912. As it was apparent that the finances of the Government could not stand such a large appropriation, ₦4,854,500 of this sum was appropriated subject to the release of the Governor-General. During the year the receipts from the customs and internal revenue exceeded the estimates, and ₦3,397,027.65 were transferred into the general fund of the treasury and made available for expenditure by the gold-standard fund Act. At the end of the year therefore ₦31,247,673.39 represented the revenues and receipts of the Government, an increase of ₦6,011,016.45 over the estimates.

Expenditures.—The total expenditures of the Insular Government for the fiscal year 1912 were ₦30,208,761.50, as compared with ₦28,505,721.41 of the previous fiscal year, an increase of ₦1,703,040.09. Of this total amount,

P29,786,832.65 was from the general revenue funds, as compared with P27,988,227.38 of the previous year, an increase of P1,798,605.17, and P421,928.95 from the bond fund, as compared with P517,494.03 of the year before, a decrease of P95,565.08.

Current expenses.—The current expenses of the Insular Government for administration, operation, and maintenance were P18,768,317.27, as compared with P17,143,636.86 of the prior year, an increase of P1,624,681.41. This increase was due in large part to the increase in expenses incident to the opening of the general hospital, the salaries of the justices of the peace, the rinderpest campaign and the purchase of rice which accounts for P1,119,493.

Aid to provinces, municipalities, and cities.—During the fiscal year the Insular Government gave aid and contributions to provinces, municipalities, and cities, for their general administration, in the amount of P1,654,830.75, as compared with P1,664,727.03 of the previous year, a decrease of P9,896.28.

Interest and sinking-fund payments.—The fixed charges of the Insular Government on account of its bonded debt, being interest on the friar lands and public works bonds and the allotments to the sinking funds, were P900,773.97, as compared with P1,102,782.08 of the year before, a decrease of P202,008.11; P141,430.85 of this decrease is accounted for by a reimbursement payment during the fiscal year 1911 to the friar lands bond sinking fund.

Interest on railroad bonds.—Under guaranty contracts the Insular Government paid the net sum of P625,422.69 on railroad bonds, as against P766,946.65 for the year before, a decrease of P241,523.96 which is accounted for by repayments made by the companies during the last year.

Permanent improvements.—During the fiscal year the total amount of expenditures for permanent improvements was P8,359,416.82, as compared with P7,827,629.79 of the prior fiscal year, an increase of P531,787.03. Of this amount, P7,937,487.87 was from the general revenue funds, as against P7,310,136.76 for the previous year, an increase of P627,352.11, and P421,928.95 from the public works bond fund, as compared with P517,494.03 of the year before, a decrease of P95,565.08. Of the total amount from revenue, viz: P7,937,487.87, the sum of P4,269,378.52 was on account of Insular outlays, and P3,678,109.35 was allotted to provinces and municipalities.

Statement of receipts and expenditures, fiscal year 1912, and resources at the beginning and end of the year.

Resources, July 1, 1911:

Cash on hand available for appropriation.....	P447,332.37	
Appropriated from revenue funds, fiscal year 1911, for permanent improvements, not yet released by the Governor-General	593,500.00	P1,040,832.37
Appropriated from revenue and available		9,926,931.34
Cash on hand appropriated from proceeds bond sale.....		701,487.08
Supplies on hand		5,510,862.16
Total resources, July 1, 1911		<u>17,180,112.94</u>

Revenues and receipts:

Customs	P17,816,247.28
Internal revenue	9,459,421.33
All other receipts	3,972,004.78
Total revenues and receipts	<u>31,247,673.39</u>

Expenditures:

Current expenses of the Insular Government	18,768,317.27
Aid to cities, provinces, and municipalities	1,654,830.75
Interest and sinking-fund payments—bonded debts	900,773.97
Interest on railroad bonds—guaranty contracts	525,422.69
Permanent improvements—	
Insular	P4,259,378.52
Allotments to provinces and municipalities	3,678,109.35
Total from general fund revenues	7,937,487.87
Insular from bond fund	421,928.95
Total for permanent improvements	8,359,416.82
Total expenditures	<u>30,208,761.50</u>

Transfers and adjustments of supplies:

Supplies transferred to equipment (Bureau of Education)	P1,212,794.18
Supplies dropped from account	40,191.13
	<u>1,252,985.31</u>

Resources, June 30, 1912:

Cash on hand available for appropriation	P1,404,689.95
Appropriated from revenue funds, fiscal years 1911 and 1912, for permanent improvements, not yet released by the Governor-General	1,681,038.88
	3,085,728.83
Appropriated from revenue and available	8,286,064.50
Cash on hand appropriated from proceeds bond sale	279,558.13
Supplies on hand	5,314,688.06
Total resources, June 30, 1912	<u>16,966,039.52</u>

Under the authority given by section 4, Act No. 1989, the Secretaries of the various Departments have authorized the use for permanent improvements of the following sums appropriated for current expenses:

1909	P260,673.72
1910	1,052,229.02
1911	503,388.36
1912	763,224.78

The estimates for the present fiscal year are as follows:

Fiscal year 1913.

RESOURCES.

Reserve:

Cash available for appropriation June 30, 1912.....	P1,404,689.95	
Appropriated from funds of fiscal years 1911 and 1912 for permanent improvements by Acts Nos. 1988 and 2069, unreleased by the Governor-General June 30, 1912	1,681,088.88	P3,085,728.83
Estimated revenues		28,835,000.00
Total estimated resources		31,920,728.83

LIABILITIES.

Fixed charges		P2,913,288.44
Permanent improvements:		
Continuing not subject to release by Governor-General	P1,000,000.00	
Appropriated fiscal year 1913, released by Governor-General	500,000.00	
Appropriated fiscal years 1911 and 1912, and released by Governor-General	1,098,985.27	
Current fiscal year 1913 appropriations, Acts Nos. 2185, 2187, and 2189	434,000.00	
Restoration for irrigation systems from P750,000 reverted fiscal year 1912	260,000.00	3,282,985.27
Current expenses:		
Continuing appropriations	P617,975.03	
Fiscal year 1912 appropriations and allotments	18,634,127.27	
Restorations of prior year reversions	814,677.10	20,066,779.40
Total estimated liabilities		26,263,053.11
Estimated balance provided no further amounts are released or restored by the Governor-General:		
Appropriated from funds of fiscal years 1911 and 1912 not yet released by the Governor-General, October 8, 1912	582,053.61	
Available for appropriation from the general fund	5,075,622.11	5,657,675.72

As shown by the foregoing statement, the estimated Insular revenue for the fiscal year 1913 is P28,835,000. The

Collector of Internal Revenue estimates that the receipts of his office during the year will be ₱10,000,000, an increase of about ₱540,000 over the receipts of last year. The Insular Collector of Customs estimates the receipts of the Bureau of Customs at ₱17,500,000, which is a decrease of about ₱316,000 from the actual receipts of last year.

The total appropriations and restorations for current expenses for the present fiscal year amount to ₱20,066,779, and the appropriations for fixed charges amount to ₱2,913,288. ₱1,250,000 of the fixed charges is the annual contribution of the Insular Government toward the expenses of the city of Manila, and ₱110,000 is its contribution toward the expenses of the city of Baguio. The other fixed charges are interest on bonds of the Insular Government issued for public works and permanent improvements and guaranteed interest on bonds issued by the railroads. The total appropriations for public works and permanent improvements for the fiscal year 1913 amount to ₱1,934,000, all of which are to be paid out of the current revenues of the present fiscal year. ₱1,500,000 of this are the continuing annual appropriations under Acts 1854, 1988 and 2059 for barrio school buildings, roads and bridges and irrigation systems. In addition, the sum of ₱582,053.61 has been appropriated for permanent improvements from funds of the fiscal years 1911 and 1912 which have not yet been released by the Governor-General.

The Commission in its exclusive capacity has passed appropriation bills for current expenses of ₱703,134.27 and for public works and permanent improvements ₱434,000.

INSULAR AUDITOR'S REPORT OF THE PROPERTY OF THE BUREAU OF PUBLIC WORKS.

The popular and ever increasing demand for good roads and public works of all sorts and the large appropriations made available at that time necessitated the very rapid expansion of the Bureau of Public Works in the years 1907 and 1908. The organization was badly prepared to meet this situation and although the engineering personnel was extended as rapidly as possible, the provisions for the proper

handling of the property and accounting problems incident to the enormous increase of work were entirely inadequate. The then Director of Public Works realized the danger of this situation and requested the Insular Auditor to make the necessary investigation and to prepare an adequate system of accounting to meet the needs of the Bureau. From that time, until December, 1910, the accounting division was under the direct charge of the Insular Auditor, who was endeavoring to straighten out and systematize the accounts and the property affairs of the Bureau. In the meantime the lack of system necessarily increased the cost of operation of the Bureau and of the public works which were under way. In November, 1911, the Insular Auditor began an examination of the property of the Bureau, on which he made a report to the Chief Executive in the latter part of August, 1912. The result of this investigation shows that the property shortage in the Bureau of Public Works is considerably less than had been estimated by the Bureau itself. In view of the changes in the personnel since 1907 and the inadequate accounting system of the Bureau it is impossible definitely to place the responsibility for this shortage, and the Auditor so reports. It appears that probably the entire shortage occurred prior to the incumbency of the present Director of Public Works. This shortage will ultimately require legislative action, but as it appears that there may be much of the property of the Bureau in the provinces which has not been checked, orders have been given to make the utmost endeavor to locate it, and until this investigation is completed a definite recommendation can not be made.

SHERIFFS.

By existing law provincial governors are *ex officio* sheriffs unless they take advantage of the statutory provisions permitting them to avoid such duty. This arrangement was created by the Philippine Commission in the early days of the present régime. In practice it has proven highly unsatisfactory as local conditions here and the duties necessarily required of a provincial governor demand that the position be a more dignified and independent one than that

of a subordinate officer of the courts. The duties of provincial governor, acting as sheriff, at most constitute but an incident of his office. Consequently an incongruous and confused relation exists between the executive and judiciary which demands remedy in the interest of good administration. This has been accentuated by occasional disagreements which have arisen. I therefore earnestly recommend to the serious and favorable consideration of the Legislature an amendment of the organic law to relieve provincial governors from their status as subordinate officers of the judiciary.

CIVIL PENSIONS.

I desire to recommend again that the Legislature provide for a reasonable pension for civil employees, to be applicable after long and faithful service. Such a law would be of great economy to the Government because of the fact that we are constantly losing from Government service many of the ablest of officials and employees. They leave for other service for higher salaries and more attractive opportunities for advancement. Could they have assurance that upon retirement, after they had ceased to be able to render the best service, they would be suitably provided for it would result generally in the retaining of the best men. And I desire to call particular attention to the report of a committee appointed to examine into the question of a pension for the Constabulary. This report contains a great deal of interesting data and information, and will be helpful in the study of this very important question.

CITIZENSHIP.

On March 23, 1912, the Congress of the United States passed an Act amending section 4 of the Act of Congress of July 1, 1902, authorizing the Philippine Legislature to provide for citizenship in the Philippine Islands of certain persons desiring to be naturalized. No argument is necessary to establish the importance of this measure and I trust that the Legislature at this session will avail itself of the opportunity thus conferred and place a law upon the statute books covering this subject.

LOANS TO RAILROAD AND TO PROVINCIAL AND MUNICIPAL
GOVERNMENTS.

At its last session the Legislature, having before it the uniformly excellent results had from the loans made from various trust funds of the Government, passed Act No. 2083, which authorizes the investment of 50 per cent of the gold-standard fund in loans to provincial and municipal governments for periods not exceeding ten years for the construction of public works. It also authorized the temporary investment of one-half of such 50 per cent for periods not exceeding thirty months in loans to the Manila Railroad Company on approved security, in order that the construction of railway lines in the Provinces of Tayabas, Camarines, and Albay may be facilitated.

At this time the authorized investments aggregate ₱6,155,229.94 in provincial and municipal loans, and ₱700,000 in loans to the Manila Railroad Company.

The present policy of investing trust funds in loans to provincial and municipal governments has now been in practical operation for more than five years, and it may be stated without qualification that the results have been so uniformly advantageous as to confirm the wisdom of the legislation by virtue of which these investments have been made. It is noteworthy that in no instance has any provincial or municipal government defaulted in either principal or interest payments on these loans nor has any instance come to my knowledge in which the expenditure of the funds has failed to produce satisfactory results to the taxpayer.

AGRICULTURAL BANKS.

One of the crying needs of the country is to provide a way in which agriculturists can obtain money for financing their crops. This was brought to the attention of the last Legislature, which provided, by Act No. 2124, for the establishment of a mortgage bank in addition to the Government Agricultural Bank provided by Act No. 1865. In the first section of said Act is the provision that the franchise is granted, provided that "within the period of six months from the

date of approval of this Act (February 1, 1912), which period may be extended to one year by the Governor-General if in his opinion there are reasonable grounds therefor, said Mauro Prieto and his associates shall organize a corporation in accordance with the laws of the Philippine Islands." Certain difficulties which apparently could not be overcome presented themselves to the organizers of this bank, so that they could not comply with the terms of the law. Request was therefore made on July 26 for an extension of six months within which the corporation might be organized. With the idea that this was a matter which properly should be brought to the attention of the Legislature, I extended the period until November first in order that if at that time the prospects of the grantees of this franchise being able to provide the necessary capital for this bank were not good, the field would be open for other possible investors and the Legislature could take such action as it might deem fit. I have the honor to place this matter before you and to recommend that earnest consideration be given to the question of the incorporation of a bank or banks for such purpose. It is my firm belief that everything possible should be done to encourage agricultural banks to incorporate in the Islands, and I invite you to thoroughly consider this matter.

CADASTRAL SURVEY.

I have the honor to recommend the passage of a law providing for a method of general cadastral surveys. Such a law is of vital importance to the welfare and prosperity of the Islands. Although fair results have been obtained in the general cadastral surveys in Cebu and Pangasinan under the provisions of the Public Land Act, and although by Act No. 496 a method of settling titles guaranteed by the Government has been provided, the cost of registering land and the delays caused by faulty surveys have been so great that land titles are still generally unsettled and but a minimum of the benefits of the Torrens system has been received. A bill prepared by a competent committee of experts was brought to the attention of the last Legislature

at both its first and second sessions but failed of passage. In the meanwhile the Commission, in its exclusive legislative capacity passed this bill and it is proving a successful solution of the problem.

The attention of the Legislature is invited to the details of the land survey which has recently been completed in Zamboanga under the provisions of this law (Act No. 2075 of the Commission). In this survey, in a period of little more than two months, titles to over 2,000 parcels of land valued at almost ₱2,000,000 were settled by the Court of Land Registration. This was done at a minimum cost to the people. The Government provided a lawyer whose services were given to the owners of the land free of charge, to prepare their cases for presentation to the Court. The cost was proportioned according to the land values so that to the poor people, whose lots were small, it ran as low as ₱2.50, including the certificate; this, with the privilege of paying in five equal annual installments, bringing the cost of a general cadastral survey within the reach of all.

I am firmly of the opinion that the Legislature should not hesitate to afford a means of extending these benefits, which the inhabitants of the Mountain and Moro Provinces are now enjoying, to the remaining provinces in the Islands.

THE SALES AGENCY.

The Philippine Commission on April 10, 1911, passed Act No. 2061, for the creation of a sales agency to facilitate the manufacture and sale of products of people under the exclusive legislative jurisdiction of the Philippine Commission. The work of organizing this agency and providing buildings, machinery and methods for conducting it has necessarily been slow and therefore we are only now ready to obtain results. We have been mindful from the beginning of the desires of many persons in the regularly organized provinces to take advantage of the opportunities that this sales agency provides. Some effort is being made to have it act as an intermediary between the producer and the consumer, under a contractual arrangement with such persons. With the establishment now of the School of Household Industries, with a large amount of enthusiasm being shown in many prov-

inces for the development of these activities, with the instruction in many forms of artistic labor that is being given in the public schools, it seems that this agency, created for a much smaller purpose, might well receive the support of the Philippine Legislature and be made the medium through which to develop a large trade in products manufactured in the homes of the people at times when they are not engaged in their ordinary pursuits or by members of the family who are not otherwise employed. This should guarantee to the producer a more equitable share of the value of his labor. An appropriation of ₱50,000 by the Legislature, to enable the Sales Agency to undertake this work, would, I believe, result in great benefit to the people, and I recommend it to your careful consideration.

MUNICIPAL POLICE.

The Legislature by Act No. 2169 provided for a reorganization of municipal police which undoubtedly will provide a force much superior to the present one. The Act is in line with advanced thought on police matters in other civilized countries and practically establishes a merit system for the police.

While no appropriation of Insular funds was made, yet the Act recognized the probable necessity for extending such aid to some of the poorer municipal governments, and there will be presented to the Legislature during this session the information necessary to enable it to determine whether it desires to make any such appropriation from Insular funds for the next fiscal year, and if so, the amount.

REGISTRATION OF CIGAR MAKERS.

One of the most important industries of the Philippine Islands, and especially of the city of Manila, is that of cigar making. Not long since, the recently appointed Collector of Internal Revenue had brought to his attention paragraph 11, section 68, of the Internal Revenue Act, which provides for the registration of cigar makers and prescribes a severe penalty for the manufacturer who shall employ a nonregistered cigar maker. This law, which has been on the statute books for several years, had in some way escaped

the attention of the Internal Revenue Office. The apparent purpose of the law is largely, if not entirely, to give the Collector of Internal Revenue an additional check upon manufacturers of cigars so as to ascertain and tax the full product. On the theory that the law had been overlooked by everybody, the Collector did not proceed to enforce penalties against the manufacturers for having employed unregistered cigar makers, but, after preparing a method for registration, he gave notice to them and to the cigar makers that the law would be enforced upon and after the 1st day of October. The cigar makers, most of whom belong to a union, strenuously objected to the method of registration and several conferences were had with the Collector of Internal Revenue and the Secretary of Finance and Justice looking to a modification of this method. No agreement was reached, the cigar makers threatening to strike rather than submit to the registration regulations. In fact, at this stage of the negotiations, nearly all the workmen walked out. Finally the committee of the union waited upon the Chief Executive on September 24th and requested that the law be suspended. They were, of course, informed that the Chief Executive of this Government possesses no such power; that this is a Government of law and therefore such action could not be taken. However, after carefully discussing with the committee the proposed terms of registration, some unimportant modifications of the original plan were agreed to, which still afforded compliance with the law. A written statement of the method of enforcing the law was placed in their hands and the committee expressed themselves unanimously in favor of and entirely in harmony with the action of the Government. It was stated to them that if the cigar makers obeyed the law the Legislature would undoubtedly consider carefully the question whether or not the provision of law should be amended or repealed, but that if they put themselves in the attitude of defiance of the law the Legislature would undoubtedly refuse to consider any modification. On the following day the committee made a report favoring the modified regulations to a large mass meeting of members of their union, and ac-

ording to all information which has reached the chief executive, the meeting adopted the report, although not without serious opposition. However, almost no cigar makers returned to work and very few registrations took place for several days. The number of registrations has increased from day to day and I believe it will only be a short time until the factories are running at their normal capacity.

During its last session, the Philippine Legislature went very definitely upon record on the question of the registration of laborers through Act No. 2129, which originated in the Assembly. However, notwithstanding that fact, I recommend, when all opposition to the law has ceased and the registration of cigar makers has been completed according to the law, that a careful study be made of the question of the registration not only of cigar makers but of all other industrial workers. It is a question well worthy of the careful and deliberate consideration of the Legislature as important principles are involved therein.

CONCLUSION.

I have submitted to you at considerable length a number of recommendations which are designed for the betterment of the people whom you represent. I trust they will all have your thoughtful and considerate attention and that they will be adopted in so far only as it is the deliberate judgment of both Houses of the Legislature, that they will serve the purpose for which designed. From time to time I may have occasion to submit other matters to the attention of the Legislature. They will all be submitted in the same spirit and with the hope that they will receive the treatment above suggested. May I hope that this session will be characterized by harmony, high purpose, and earnest endeavor, and that when the session shall close you will all be conscious of having enlarged the opportunity and furthered the prosperity of the Filipino people.

NEWTON W. GILBERT,
Acting Governor-General.

